



MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

Information Sheet for: **CABIN SITES**

This Information Sheet is developed to guide current Lessees of Cabin Sites, as well as potential Lessees through the leasing process. It is also designed to provide answers to frequently asked questions about Cabin Site leases and the leasing program. This Information Sheet is not a contract. Should there be a conflict between information provided here and any statute or rule, or contract language, the statute, rule, or contract will prevail.

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GENERAL INFORMATION

Authority: New leases are offered consistent with Administrative Rules of Montana (ARM) 36.25.1000 through 36.25.1015.

Purpose for Land Lease: The land is leased to generate revenue for Trust Beneficiaries for the funding of education and other institutions in the State of Montana. The state received land from the federal government through the Enabling Act in the late 1800's, which, along with the Montana Constitution, provides direction that the trust lands must be managed to provide income and that the trusts be compensated full market value for any use of the land.

Permitted Use: Authorized use is strictly for residential purpose by the lessee, and lessee's family and guests. No use contrary to the laws of the State of Montana or the United States are permitted under any circumstance. Use must comply with all federal, state, county, and municipal laws, ordinance, and regulations.

OBTAINING A CABIN SITE LEASE

Cabin sites are listed online on the DNRC website at www.dnrc.mt.gov. Please contact the local Lease Manager identified within each listing for questions on the leasing process, the lease itself, and/or to schedule a site visit.

Bidding: Unleased cabin sites are issued through a competitive bidding process. The available leases are posted on the DNRC website along with the bidding information, such as minimum bid amount, and bid closing date. The minimum bid amount represents the minimum annual lease fee for the first lease year.

To submit a bid, interested bidders must mail in the completed bid form, along with a \$25 application fee, and 10% bid deposit. The bid deposit represents 10% of the amount bid. The amount bid will be the first year's lease fee. The winning bidder will be invoiced for the first year's lease fee, less their 10% bid deposit. All other bidders will be refunded their bid deposit upon execution of the lease with the highest bidder. If the highest bidder fails to execute the lease within 30 days, they forfeit their bid deposit, and the Department may rebid the lease or award the lease to the next highest bidder.

The bid amount will be the rental amount until such time that the minimum lease fee is higher than the bid amount.

Assignment: In the event a current lessee wishes to transfer the lease, they may request an Affidavit of Assignment from the Department. The improvements upon the site (buildings and utilities) must be transferred at assignment as well, through sale or otherwise. There is no competitive bidding for an Affidavit of Assignment.

Assignments have a \$25 fee, and are subject to the approval of the Department and may be denied for outstanding lease violations, or payment default. All assignment requests require proof that property taxes have been paid, that the improvements have transferred, and the sales price of the improvements when applicable.

RENTAL FEES

The lease rental fee for cabin sites is based on the appraised value of the land as determined by the Department of Revenue (DOR). For this reason, lease fees vary greatly across the state based on land values for the lease area.

Annual Lease Rental Fee Calculation: The annual lease fee is based on a percentage of the DOR determined land value as of 2003, and adjusted annually by applying a compounding annual increase between 3.25% and 6.5%. The exact annual increase is calculated by December of each year, based on real estate factors and the CPI from the previous year. This lease fee calculation method is often referred to as "Alternative 3B".

The Department can project the maximum and minimum lease fees for any lease through 2024 at any time upon request. In 2025, the Department will conduct an analysis of rental fees under the Alternative 3B method, as compared to the effective DOR land valuations available at the time to assess how near or far the rental fees are from 5% of the land value at the time. The lease fee may be adjusted. Under no circumstance will the annual lease fee be less than \$250.

A more detailed explanation can be found in ARM 36.25.1003 and the definitions provided in ARM 36.25.1001.

Competitive Bidding: The annual lease fee for the first lease year for a successful competitive bidder shall be their bid amount. This shall be the annual lease fee until such time that the annual lease fee calculated under Alternative 3B is greater than their bid amount. At which point, the annual lease fee shall be calculated according to the Alternative 3B method.

The rental for the first lease year will be a prorated amount from the Lease Start Date through February 28. The 10% bid deposit will be applied to the rental due for the first lease year.

Payment Schedule: The lessee may choose to pay the annual lease fee in one annual payment, or two semi-annual payments. The first year lease fee is due upon issuance of the lease. For subsequent years, the lease fee is due on March 1 for annual payments, and both March 1 and September 1 for semi-annual payments.

Billing Process: Leases are billed annually in January for payment on March 1. Leases that are paid semi-annually are billed again in July for payment on September 1.

If the lease fee is not paid by the due date, a \$25 late fee is assessed. If payment with late fee is not received by April 1, the lease is automatically cancelled. The same applies to the second half payment for leases paid semi-annually; if payment with late fee is not received by October 1, the lease is automatically cancelled. In some cases, a cancelled lease may be reinstated for a minimum \$500 reinstatement fee.

LEASE INFORMATION

The following section covers frequently requested information about the lease terms. This is not a substitute for the language provided in the lease contract, and it does not cover every section. The executed lease document itself will serve as the contract between the Department and the signing lessee.

Lease Start Date: The lease start date is typically within four weeks after the bid closing date.

Lease Term: Cabin site leases are available for 15 year terms. The Department may provide a term greater than 15 years for loan security purposes only with a written request from the lender, for a maximum term of 35 years. Leases all have an expiration date on the last day of February.

Renewal of Lease: Upon expiration, a lessee may make application to the Department for an additional term of 15 years if the lease is in good standing: there are no lease violations and the lease fee is current. Cabin site leases are not subject to a competitive bid upon renewal.

Subleasing: A lessee shall have the right to sublease the land to another party upon the same terms and conditions as those upon which he leases it from the State, provided that no such sublease shall be legal until a copy thereof has been filed with the Department. This process requires a Sublease Application and a \$25 fee. The sublease cannot be on terms less advantageous to the sublessee than the terms given by the State; this means, in part, that the sublease fee cannot be greater than the lease fee.

A sublease of the ground lessee for profit is a commercial use, which is not allowed on cabin site leases.

Noxious Weeds: The lessee is responsible to keep the land free from noxious weeds at their own expense.

Road Maintenance: The lessee is responsible for maintaining the access road to the leased premises. The Department does not provide road maintenance.

Rights and Reservations: The State reserves all rights and interests to the land under this lease other than those specifically granted by this lease. These reservations include, but are not limited to, mineral and timber, utility line and other rights-of-way, and the right to grant future rights of way for these and other purposes. The State also reserves the right to itself, representatives and lessees, to enter upon the cabin site lease area for mining and mineral related activity, as well as forest management activities, and other purposes, including to inspect the leased premises for compliance with the cabin site lease.

Right to Entry: Representatives of the State Historical Society of the State of Montana shall at all reasonable times, upon written notification to the Department, have the right to enter into and upon the premises for the purpose of carrying out the duties assigned by the Historical Society by the State Antiquities Act, 22-3-4, MCA

Public Use Restricted: Cabin site leases are categorically closed to the public under Administrative Rule 36.25.150 and 77-1-804(3) MCA. The public may cross on foot to access other State land open for use by the public when no other reasonable access is available.

Revocation for Cause and Cancellation: The lease may be revoked by the Department upon breach of any of the lease terms or applicable law. Prior to such revocation for cause, the lessee shall be given notice and reasonable time to correct the breach.

The Department shall have the power and authority to cancel a lease for fraud, misrepresentation, concealment of facts relating to the issuance of the lease, for using the land for any purpose other than those authorized by the lease, or for any other reasonable cause which makes the cancellation of the lease necessary in order to do justice to all parties concerned and to protect the interest of the State.

IMPROVEMENTS

Improvements are permanent structures, utilities, and site work (i.e. roads) upon the lease lot that are owned by the lessee.

Installing Improvements: Improvements may be installed or built on the cabin site lease area, upon approval by the Department. This process requires an application process with no application fee. All plans for development, layout, construction, etc. must be approved by the Department before commencement of any work, including utility installation. Improvements, and the installation of improvements, must be in compliance with any applicable laws, regulations, and local permitting requirements. They may be subject to building codes, floodplain regulations, health regulations etc.

Taxes on Improvements: The Lessee shall pay all taxes, special assessments, levies, fees and other governmental charges that may be levied by any taxing or assessing authority upon the improvements and personal property owned by the Lessee upon the leased area. The value of the land is not taxed.

Utility Installation: The Lessee shall be responsible for the installation of all facilities necessary to supply water, sewer, gas, electricity, telephone, or other like services required by the Lessee. All costs related to the utility installation, including any connection assessments or charges levied by any public utility, agency or municipality with respect to their services, shall be the sole responsibility of the Lessee.

The cabin site lease grants the right to place necessary utility facilities within the lease premises and across specified adjacent state trust lands from the main utility to the lease area during the term of the lease, upon approval by the Department. The Lessee is responsible for obtaining any necessary easement from private landowners for rights outside of state trust land.

Improvements Maintenance: The Lessee is responsible for maintaining all improvements to standards of repair, orderliness, neatness, sanitation, and safety.

Improvements Ownership: Improvements upon the lease area shall not be owned by any party other than the Lessee. Upon transfer of the lease through assignment, the improvements ownership must also be transferred.

A Lessee will have three years upon cancellation, expiration, or abandonment of the lease to receive compensation for their improvements. This three year time period does not authorize access to the improvements for any reason. During this period, improvements upon a cancelled cabin site must be purchased by the incumbent lessee from the improvements owner within 120 days of lease execution, unless the owner of the improvements wishes to remove them from the lease site.

After three years from cancellation, the Department may take action for a Reversion of Ownership of Improvements to the State. **The Department is under no obligation to compensate the Lessee for any improvements on the cabin site at any time.**

TRANSFERRING A LEASE

Assignment: In the event a current lessee wishes to transfer the lease, they may request an Affidavit of Assignment from the Department. The improvements upon the site (buildings and utilities) must be transferred at assignment as well, through sale or otherwise. There is no competitive bidding for an Affidavit of Assignment. All terms and conditions of the original lease remain in place; no new lease document is issued.

Assignments are subject to the approval of the Department and may be denied for outstanding lease violations, or payment default. All assignment requests require proof that taxes have been paid, that the improvements have transferred, and the sales price of the improvements when applicable.

Assignment for Deceased Lessee: Cabin site leases may be issued to more than one person. In that instance, the Lessees must select if they wish to be “Joint Tenants” or “Tenants-in-Common”. If the Lessees are Joint Tenants, then the lease automatically passes to the surviving Lessee(s). A copy of the death certificate is required to remove the deceased from the lease.

If the Lessees are Tenants in Common, then the surviving lessee retains their interest in the property, separate from the deceased. The interest in the property that was held by the deceased does not terminate upon his or her death. In this case, or in the case of an individual lessee, a personal

representative must act on behalf of the deceased with regard to their interest in the lease. The person who was appointed as personal representative of the estate of the lessee must provide documentation of their appointment to act in the capacity of personal representative for the lessee and provide a copy of the lessee's death certificate. The personal representative must sign the assignment form as they are acting on behalf of the deceased lessee.